

Message Text

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ACTION ARA-10

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 5421

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EIND, VE

SUBJ: NATIONALIZATION OF CANADIAN INTERNATIONAL POWER COMPANY.

1. ACCORDING TO PRESS REPORTS, CANADIAN INTERNATIONAL POWER COMPANY (CIP), HAS BEEN PURCHASED BY THE GOVERNMENT OF VENEZUELA AFTER FIVE YEARS OF NEGOTIATIONS. THE SETTLEMENT AMOUNT IS REPORTED TO BE \$100 MILLION. THE FORMAL AGREEMENT IS SCHEDULED TO BE SIGNED ON FRIDAY, OCTOBER 28, IN CARACAS.

2. WE UNDERSTAND THAT WHILE CIP IS INCORPORATED IN CANADA, IT IS 50PERCENT OWNED BY UNITED CORPORATION, A US INVESTMENT FIRM. UNDER VENEZUELAN LAW, ANY ENTERPRISE ENGAGED IN THE PRODUCTION, DISTRIBUTION OR SALE OF ELECTRICITY IN THIS COUNTRY MUST BE 80PERCENT OWNED BY VENEZUELAN CITIZENS BY MAY 1, 1977. AT PRESENT, ONLY 30PERCENT OF CIP IS OWNED BY VENEZUELAN.

3. CANADIAN INTERNATIONAL PRODUCES AND DISTRIBUTES POWER IN THE WESTERN PART OF VENEZUELA, INCLUDING MARACAIBO, THROUGH SEVEN AFFILIATED COMPANIES. TOTAL ASSETS IN VENEZUELA AS OF DECEMBER 31, 1975, WERE REPORTED TO BE \$141 MILLION, AND THE COMPANY REPORTEDLY EARNED A PROFIT ON ITS VENEZUELAN OPERATIONS OF JUST UNDER \$8 MILLION IN 1975.

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4. DURING A CONVERSATION WITH REPRESENTATIVES OF THE CANADIAN EMBASSY IN CARACAS, WE WERE ADVISED THAT THE PRESS REPORTS SUMMARIZED ABOVE WERE ACCURATE AND THAT THE MANAGEMENT OF CIP WAS SATISFIED WITH THE OUTCOME OF THESE PROLONGED NEGOTIATIONS.
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